

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 COME-00 CIAE-00 INR-07 NSAE-00

L-03 SIL-01 LAB-04 CIEP-01 PA-01 PRS-01 USIA-06 /044 W

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R 211731Z AUG 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 3859

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EO 11652: N/A

TAGS: BGEN, PO

SUBJ: BUSINESS PROBLEMS: LITTON INDUSTRIES

1. ON AUGUST 19, REPRESENTATIVES OF EMPLOYEES COMMITTEE OF LITTON BUSINESS SYSTEMS (MAQUINAS COMERCIAIS) LDA OF LISBON, PORTUGAL (LBS) VISITED EMBASSY REQUESTING ASSISTANCE IN REOPENING NEGOTIATIONS WITH REPRESENTATIVES OF LITTON SYSTEMS INC., BEVERLY HILLS ABOUT FUTURE OF LBS IN PORTUGAL. LBS, ESTABLISHED 1970 WITH CAPITAL OF \$40,000, IS DISTRIBUTOR AND SERVICE OF SWEDA, MONROE, LITTON AND ROYAL CALCULATORS, CASE REGISTERS AND OTHER BUSINESS MACHINES. IT EMPLOYS 90.

2. ACCORDING TO EMPLOYEE COMMITTEE, DISCUSSIONS HAVE BEEN TAKING PLACE SINCE MARCH WHEN THE WORKERS BECAME SUSPICIOUS THAT LITTON WAS PLANNING LIQUIDATE ITS PORTUGUESE OPERATIONS. THESE TALKS CENTERED ON MEASURES TO AVOID DISSOLUTION OF THE FIRM AND ESTABLISHMENT OF FUND (\$680,000) TO GUARANTEE FULL INDEMNIFICATION SHOULD THE FIRM CLOSE. MEETINGS WERE HELD IN LISBON AND MADRID BUT NO AGREEMENT REACHED. ACCORDING TO WORKERS, LITTON FROZE LBS BANK ACCOUNTS BUT LABOR MINISTRY OFFICIALS AUTHORIZED WITHDRAWAL OF FUNDS TO PAY SALARIES. LATEST LITTON PROPOSAL INCLUDES OFFER TO TURN ASSETS OVER TO EMPLOYEES FOR ESTABLISHMENT OF EMPLOYEE-OWNED COOPERATIVE. LITTON OFFERED CONTINUED PROVISION OF MACHINES AND EXPERTISE, BUT OFFER WAS REFUSED BY EMPLOYEES ON GROUND COOPERATIVE WOULD LACK ECONOMIC SECURITY BECAUSE ALL MACHINES COME FROM OUTSIDE

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SOURCE. COPIES OF TELEXES INDICATE LITTON AT LEAST TWICE

OFFERED WRITTEN GUARANTEES FROM HIGHEST CORPORATE LEVELS ABOUT FULL INDEMNIFICATION, AND NOW CONSIDERS THE WORKERS HAVE "UNILATERALLY TAKEN OVER THE COMPANY." WORKERS CHARGE LITTON HAS ABANDONED ITS HOLDINGS.

3. EMBASSY FILES INDICATE LBS WORKERS AT LEAST ONCE SERIOUSLY IMPEDED FREE MOVEMENT OF MANAGING DIRECTOR FOR TWO OR THREE DAYS AND COPIES OF TELEXES INDICATE SEVERAL THREATS AND ULTIMATUMS BY WORKERS AGAINST LITTON. ON OCCASION OF EMBASSY VISIT, LBS WORKERS APPEARED SINCERE IN ATTEMPTING TO FIND AMICABLE SOLUTION TO PROBLEM, EVEN TO EXTENT OF POSSIBLY REDUCING SALARIES AND COM-PROMISING ON INDEMNIFICATION ISSUE.

4. EMBASSY HAS WRITTEN TO LITTON REQUESTING FURTHER INFORMATION ABOUT DISPUTE AND REQUESTING THAT LITTON CONSIDER POSSIBLE RESUMPTION OF TALKS BASED ON ABOVE. IN VIEW OF NEED TO AVOID ANOTHER POSSIBLE APPLIED MAGNETICS CASE WHICH STILL GENERATES BAD PUBLICITY FOR MNCS, EMBASSY REQUESTS THAT DEPARTMENT RECOMMEND TO LITTON THAT IT RESPOND TO EMBASSY ASAP AND TO CONSIDER RESUMPTION OF NEGOTIATIONS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 21 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LISBON04781
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750290-0273
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750832/aaaabbkc.tel
Line Count: 82
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 17 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 JUN 2003 by WorrelSW>; APPROVED <24 DEC 2003 by johnsorg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BUSINESS PROBLEMS: LITTON INDUSTRIES
TAGS: BGEN, PO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006